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BY THE HOUSE OF DELEGATES.

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Read and ordered to be printed.

MINORITY REPORT

OF

THE COMMITTEE

OF

Ways and Means

TO THE

HOUSE OF DELEGATES.

ANNAPOLIS:
THOS. E. MARTIN, PRINTER.

MDCCCLIII.



REPORT.

The undersigned of the committee of ways and means, submit the following report upon the bill, to reduce the direct tax which originated in and passed the Senate, and was by this House referred to said committee for its consideration.

The undersigned think that the bill ought to pass, and they respectfully give the following reasons therefor.

According to the Comptroller's report it is estimated, that there will be received into the treasury during the present year, the sum of \$1,323,187.50. This estimate is based upon the old assessment assuming \$200,000,000, at the basis. The probable expenditures are also estimated in that report at \$961,958,59, which deducted from the above estimated receipts will leave a surplus in the Treasury of \$361,228.91. In the estimate of receipts into the treasury the Comptroller credits the direct tax with \$500,000. From all the information that the undersigned have been able to obtain, they feel warranted in believing that the new assessment will increase the amount of assessable property in the State to \$240,000,000, which at the rate of 1-8 of one per cent, or twelve and a half cents in the hundred dollars, will yield the sum of \$300,000. There would then of course be \$200,000, less received for direct taxes than is estimated by the Comptroller. If then this amount of \$200,000, be deducted from the \$361,228.91, the difference between receipts and expenditures as above, show that a balance of \$161,228.91 will be left as surplus in the Treasury which will be the nett revenue in the treasury after meeting all liabilities, including the interest on the Sinking Fund. The interest on the Sinking Fund is about \$145,000. This fund being so much of the debt paid off and redeemed, the interest accruing thereon must be considered in the light of surplus, as it is not required to pay any actual debt that the State owes; which interest, \$145,000, added to the above nett balance of \$161,228.91, will make the sum of \$306,228.91. Add to this the sum of \$100,000, which is obtained by assuming the

\$779,275, arrearages of direct tax to be collected in seven years in equal parts annually, allowing the fractions over the \$700,000, to be probably lost by insolvencies, there will still be left the sum of \$406,228.91. Add also to this amount \$60,000, the sum calculated to be saved by reason of the biennial sessions of the Legislature, and we have the amount of \$466,228.91; deduct for special appropriations that may be made by the Legislature the fraction \$66,228.91, there will then be left the large sum of \$400,000, as actual surplus annually applicable to the redemption of the State bonds.

Let us now examine and see what amount of State bonds is outstanding, to pay the interest and redeem the principal of which, the State is compelled to provide by taxation.

By reference to the report of the chairman of the committee of ways and means at the last session, it will be found that the immediate indebtedness of the State independent of available resources, was on the 1st of December 1851, \$4,519,815, and according to the Treasurer's report, there was redeemed during the past year the amount of \$502,031, which was carried to the credit of the Sinking Fund. Deduct that sum from the debt as reported, and the outstanding bonds now amount to \$4,017,784. As there has been subtracted from the surplus as above, \$66,228.91, for special appropriations, for the sake of easy calculation, we may also subtract the \$17,784, from the \$4,017.784, which will leave the even amount of \$4,000,000. We have as above shown \$400,000, actual annual surplus to operate with for the redemption of the debt of 4,000,000, and it must be remembered that no part of the \$400,000, is required to pay the interest on the \$4,000,000 of debt, as that is already provided for in the estimate of expenditures; consequently the annual surplus of 400,000, is entirely applicable by annual investment to the purchase and redemption of the \$4,000,000 of outstanding bonds. Upon calculation carefully made, it has been found that in eight years the surplus of \$4,000,000, by being annually invested, will produce the sum of \$3,958,984, which is little short of the whole debt. But in nine years it will produce the sum of \$4,596,523, which exceeds the whole debt by the sum of \$596,523.

The estimates as will be perceived have been based upon estimates made by the Comptroller, Treasurer and the Chairman of the committee of Ways and Means of the last session of the Legislature. It may here be observed that the calculation extended to nine years, would go beyond the time assumed for the collection of the arrearages by two years, as there are but \$700,000 of arrearages, and \$100,000 are taken to be collected each year. It may also be observed that these arrearages are drawing interest and will continue to do so until paid; but such increase is not material in the calculation.

The following tabular statement of the foregoing argument is given for the purpose of easy comparison and comprehension :

Estimated receipts into the Treasury for the year 1853.....		\$1,323,187 50
Estimated expenditures for the same year.....		961,958 59
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Balance in the Treasury.....		\$361,228 91
Estimated receipts from direct tax..	\$500,000	
Computed receipts from direct tax at the rate of $\frac{1}{8}$ of one per cent. or $12\frac{1}{2}$ cents in \$100, on a basis of \$240,000,000 according to new assessment.....	\$300,000	
Difference between the present and proposed assessment.....		200,000 00
		<hr/>
Surplus in the Treasury....		\$161,228 91
Add interest of sinking fund embraced in estimate of expenditures.....		145,000 00
Add one-seventh of reported averages of direct tax, excluding the fraction over \$700,000...		100,000 00
Add sum taken to be saved by biennial session of the Legislature.....		60,000 00
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		\$466,228 91
Deduct for special appropriations by the Legislature, the fraction.....		66,228 91
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Total annual surplus.....		\$400,000 00
The whole actual debt as reported by the Chairman of the committee on Ways and Means at the last session, taking the account as of December 1st, 1851.....		4,519,815 00
Deduct amount reduced the last year as shewn by Treasurer's report.....		502,131 00
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The whole amount of debt will be.....		\$4,017,784 00
The annual surplus of \$400,000, annually invested with its increments, will, in eight years, amount to.....		3,958,984 00
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Total debt on 1st day of December, 1861..		\$58,800 00

From the above statement it is conclusive, that the condition of the Treasury justifies the proposed reduction; and, indeed, other sources of revenue could be dispensed with without embarrassing or affecting the general policy of liquidating the debts of the State, and thereby relieve her people of the heavy

burden of taxation, direct and indirect, which they have so long and so patiently borne, but which they are unwilling should be still imposed when the credit of the State is in so healthy a condition—when all her resources are in fine development, through the activity of her citizens, and when a large portion of her principal debt will not mature until the remote period of 1890, more than thirty years hence.

Again, is not the policy of keeping in the Treasury large sums of money questionable, when it is known, that the credit of a State as well as of an individual, is enhanced by immense pecuniary possessions? With an overflowing Treasury, money in extravagant abundance, the market value of our stocks will greatly appreciate, and to invest our surplus revenue in them, by way of redemption or otherwise, will take from us large sums for premiums. Investments in other securities may be wise policy; absolute safety however, is in purchasing our own, and we should not, by our own act, give to them such a fictitious value as will require great sacrifices because of appreciated and still appreciating premiums. Yet investments in other securities are preferable to buying our own at enhanced and exorbitant prices.

In connection with the question of reduction, it has been intimated, that a Company or Companies of Internal Improvement might refuse to pay their portion of interest when solvent, and would apply that interest to the extension or enlargement of their works. It is useless to indulge such anticipation, because when such a state of things is presented it is remediable. Under the Constitution, aid from the State to any work is expressly prohibited, until the occurrence of a certain financial contingency; and it would not require any nice perception to pronounce that fact; hence any appropriation of interest due before the occurrence of that contingency would be in disregard of that instrument, by a failure to comply with its requirements and expectations. Surely no company would be bold enough to do such an act. We live under law, and the law will vindicate its rights.

The undersigned respectfully recommend the passage of the Senate bill, to reduce the direct tax to twelve and a half cents in the one hundred dollars.

L. J. M. P. BRODWATER.
JNO. WOLF.



